MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

PAT0075 – COST AND MANAGEMENT ACCOUNTING

(Foundation in Management)

10 MARCH 2016
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE** printed pages with **SEVEN** questions only.

2. Answer **FIVE** out of **SEVEN** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Write your answers in the Answer Booklet.

STRUCTURED QUESTIONS [100 MARKS]

Instructions: Answer only **FIVE** out of **SEVEN** questions. Write your answers in the Answer Booklet.

QUESTION 1

Clean & Wash Sdn. Bhd. produces two models of washers: a deluxe and a regular model. The product costing data is provided in the following table:

Activity Usage Measures				Activity Cost Data (Overhead Activities)	
	Deluxe	Regular	Total	Activity	Activity Cost (RM)
Units produced	10	100	110		
Direct materials	RM800	RM8,000	RM8,800		
Direct labour hours	20	80	100	Assembly	500
Machine hours	10	40	50	Machining	1,500
Setup hours	3	1	4	Setting up equipment	1,000
Number of moves	6	4	10	Moving goods	1,000
				Total	4,000

REQUIRED

a) Calculate the activity rates for each activity. (8 marks)

b) Calculate the total cost per unit for each model. (12 marks)

[TOTAL 20 MARKS]

QUESTION 2

Auto Expert Sdn. Bhd. manufactures a quality gasket used in automobile engine. The company's products go through two processing departments: Mixing and Finishing. Information relating to Finishing department during April 2015 is summarised below:

Units completed and transferred in	31,800
Total costs transferred in	RM71,598
Ending work-in-progress:	1,900 units
Direct materials (90% complete)	
Conversion costs (40% complete)	
Manufacturing cost:	
Direct materials	RM466,323
Conversion costs	RM444,843

Continued...

REQUIRED

a) Calculate the units completed and transferred out of the Finishing department.

(2 marks)

b) Calculate the total equivalent units for transferred in, direct materials and conversion costs.

(6 marks)

c) Calculate the cost per equivalent unit for transferred in, direct materials, conversion costs and total cost per equivalent unit.

(9 marks)

d) Calculate the cost of ending work-in-progress.

(3 marks)

[TOTAL 20 MARKS]

QUESTION 3

The following information relates to KayaRich Sdn. Bhd. for the month of June 2015.

Variable manufacturing costs per unit	
Direct materials	RM1.50
Direct labour	RM2.10
Variable production overhead	RM4.40
Fixed costs per period	
Fixed production overheads	RM144,000
Fixed selling costs	RM20,000
Fixed administrative costs	RM10,000

There was no opening inventory at the beginning of June 2015. The normal production capacity on which the fixed overhead is based is 36,000 units. Selling price per unit is RM20. Production and sales for the period are 40,000 units and 32,000 units respectively.

REQUIRED

a) Prepare an income statement by using marginal costing approach and absorption costing approach.

(16 marks)

b) Explain and give one example of each of the following:
   i. Fixed cost
   ii. Variable cost

(4 marks)

[TOTAL 20 MARKS]

Continued...

QUESTION 4

The following information relates to financial projections of Oita Corporation for 2016:

Sales	20,000 units
Sales price	RM7 per unit
Variable manufacturing costs	RM2 per unit
Variable non-manufacturing costs	RM1 per unit
Fixed manufacturing costs	RM50,000 per year
Fixed non-manufacturing costs	RM10,000 per year

REQUIRED

a) What is Oita's projected contribution margin per unit.

(5 marks)

b) How many total units would Oita need to sell to breakeven in 2016?

(5 marks)

c) How many units would Oita need to sell in 2016 to earn a targeted profit of RM20,000?

(5 marks)

d) What is Oita's projected margin of safety percentage in 2016?

(5 marks)

[TOTAL 20 MARKS]

QUESTION 5

DeTie Company manufactures ties. When 50,000 ties are produced, the costs per unit are as follows:

Direct material A	RM10
Direct material B	RM9
Direct material C	RM8
Direct manufacturing labour	RM7
Variable manufacturing overhead	RM6
Fixed manufacturing overhead	RM5
Variable selling expenses	RM4
Fixed selling expenses	RM3
Variable administrative expenses	RM2
Fixed administrative expenses	RM1

The ties normally sell for RM60 each. The company has received a special order for 10,000 ties at RM50 per tie. The company has excess capacity to accept the special order.

Continued...

REQUIRED

a) Calculate the total relevant revenues from the special order.

(4 marks)

b) Calculate the total relevant costs for the special order.

(8 marks)

c) Compute the change in operating income if the special order is accepted.

(4 marks)

d) Should DeTie Company accept the special order? Explain.

(4 marks)

[TOTAL 20 MARKS]

QUESTION 6

Shirakawa Industries is deciding whether to automate one phase of its production process. The automatic equipment has a six-year life and will cost RM900,000 with no residual value. Projected net cash inflows are as follows:

Year 1	RM100,000
Year 2	RM150,000
Year 3	RM200,000
Year 4	RM250,000
Year 5	RM300,000
Year 6	RM350,000

The company uses the net present value (NPV), payback period and accounting rate of return (ARR) to screen this investment. The company policy requires a payback period of less than five years and an ARR of at least 15%. Any potential investments that do not meet these criteria will be removed from further consideration.

The discount factor and discount factor annuity at 10% are as follows:

Period	Present value of RM1 at 10%	Present value of ordinary annuity of RM1 at 10%
1	0.909	0.909
2	0.826	1.736
3	0.751	2.487
4	0.683	3.170
5	0.621	3.791
6	0.564	4.355

Continued...

REQUIRED

a) Calculate the NPV of the equipment using 10% discount rate.
(8 marks)

b) Calculate the payback period of the equipment.
(4 marks)

c) Calculate the ARR of the equipment.
(4 marks)

d) Should Shirakawa Industries invest in the automatic equipment? Why or why not?
(4 marks)

[TOTAL 20 MARKS]

QUESTION 7

Rafidah Bakery Sdn. Bhd. produces cupcakes. Budgeted sales for the month of February 2017 is 200,000 units, which is 50% lower from January 2017. However, sales in March 2017 is budgeted at 150,000 units. Selling price of the cupcakes is RM2.50 per unit.

The desired quantities of the cupcakes are as follows:

	December 2016	January 2017	February 2017	March 2017
Desired ending inventories	35,000	50,000	100,000	75,000

REQUIRED

Prepare a sales budget and production budget for the first quarter of 2017 for Rafidah Bakery.

[TOTAL 20 MARKS]

End of Paper